

House of Representatives, March 19, 1998. The Committee on Banks reported through REP. MCCAVANAGH, 12th DIST., Chairman of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING TECHNICAL REVISIONS TO THE BANKING LAW OF CONNECTICUT AND THE SECURITIES AND BUSINESS INVESTMENTS LAW OF CONNECTICUT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-275 of the general  
2 statutes, as amended by section 1 of public act  
3 97-35, is repealed and the following is  
4 substituted in lieu thereof:

5 (a) As used in this section, the term "debt  
6 securities" means (1) any marketable obligation  
7 evidencing indebtedness of any person in the form  
8 of direct, assumed or guaranteed bonds, notes or  
9 debentures commonly known as investment  
10 securities; (2) any obligation identified by  
11 certificates of participation in investments  
12 described in subdivision (1) of subsection (a) of  
13 this section in which a Connecticut bank could  
14 invest directly; or (3) repurchase agreements and  
15 the term "debt mutual fund" means a partnership  
16 interest in, shares of stock of, units of  
17 beneficial interest in or other ownership interest  
18 in any one investment company registered under the  
19 Investment Company Act of 1940, as from time to  
20 time amended, commonly described as mutual funds,  
21 money market funds, investment trusts or business

22 trusts, provided the portfolios of such investment  
23 companies consist solely of investments described  
24 in subdivision (1) of [subsection (a) of this  
25 section] THIS SUBSECTION.

26 Sec. 2. Section 36a-316 of the general  
27 statutes is repealed and the following is  
28 substituted in lieu thereof:

29 As used in sections 36a-315 to 36a-323,  
30 inclusive:

31 (1) "Annual percentage yield" means a  
32 percentage rate reflecting the total amount of  
33 interest paid on funds in a deposit account  
34 calculated in compliance with the Federal Truth in  
35 Savings Act, Subtitle F of Title II of the Federal  
36 Deposit Insurance Corporation Improvement Act of  
37 1991, Public Law 102-242, and the regulations  
38 promulgated thereunder, as from time to time  
39 amended.

40 (2) "Deliver" means deliver in person or  
41 place in the United States mail with first class  
42 postage properly affixed.

43 (3) "Deposit" means any demand deposit,  
44 savings deposit or club deposit, any deposit into  
45 a time account as defined in [subsection]  
46 SUBDIVISION (18) of this section, and the payment  
47 on a share or time share at a Connecticut credit  
48 union or federal credit union.

49 (4) "Deposit account" means any account at a  
50 financial institution into which a deposit is made  
51 (A) which is in the name of one or more natural  
52 persons; (B) in which, with regard to a trust  
53 account, the entire beneficial interest is held by  
54 one or more natural persons, and (C) into which  
55 deposits may be made. "Deposit account" does not  
56 include a general or limited partnership account  
57 or a sole proprietorship business account.

58 (5) "Deposit contract" means the contract  
59 between a financial institution and a depositor  
60 that sets forth the terms, conditions, duties and  
61 obligations relating to a deposit account.

62 (6) "Deposit account charge" means a charge  
63 which may be imposed on a depositor for utilizing  
64 the services of a financial institution in  
65 connection with a deposit account, including a  
66 charge for: (A) Stop payment orders; (B) items  
67 drawn on a deposit account which are dishonored;  
68 (C) providing the depositor with a copy of any  
69 record relating to a deposit account; (D) the use

70 of checks, negotiable orders of withdrawal, share  
71 drafts or other items, devices or methods that may  
72 be used to withdraw moneys from a deposit account;  
73 and (E) maintaining a deposit account, such as a  
74 service charge.

75 (7) "Deposit account disclosures" means the  
76 following information with regard to a deposit  
77 account: (A) The interest rate, if any, paid on  
78 funds deposited in the account; (B) the annual  
79 percentage yield, if any, paid on funds deposited  
80 in the account; (C) the frequency with which  
81 interest will be compounded and the frequency with  
82 which interest will be credited to the account;  
83 (D) the minimum amount which must be deposited in  
84 such account to open such account; (E) the minimum  
85 balance, if any, that must be maintained to earn  
86 the annual percentage yield; and (F) any condition  
87 relating to maintenance of a minimum balance for  
88 any part of the earning period which may cause  
89 interest not to be credited to such account at the  
90 end of the earning period.

91 (8) Except as provided in [subsection]  
92 SUBDIVISION (4) of section 36a-323, "depositor"  
93 means any natural person who is legally entitled  
94 to make withdrawals or sell shares from a deposit  
95 account at a financial institution regardless of  
96 whether a penalty may be imposed for such  
97 withdrawal or sale.

98 (9) "Earning period" means the period during  
99 which interest accrues and at the end of which  
100 accrued interest is credited to a savings or time  
101 account.

102 (10) "Financial institution" means any bank,  
103 Connecticut credit union or federal credit union.

104 (11) "Interest" means any payment to a  
105 depositor or to a deposit account for the use of  
106 funds in a deposit account, calculated by  
107 application of a periodic rate to the balance.  
108 "Interest" does not include the payment of a bonus  
109 or other consideration worth ten dollars or less  
110 given during a year, the waiver or reduction of a  
111 fee, or the absorption of expenses.

112 (12) "Interest rate" means the annual rate of  
113 interest paid on a deposit account which does not  
114 reflect compounding. For the purposes of deposit  
115 account disclosures, the interest rate may be  
116 referred to as the "annual percentage rate" in

117 addition to being referred to as the "interest  
118 rate".

119 (13) "Office" of a financial institution does  
120 not include an automated teller machine or point  
121 of sale terminal.

122 (14) "Passbook savings account" means a  
123 savings account in which the depositor retains a  
124 book or other document in which the financial  
125 institution records transactions on the savings  
126 account.

127 (15) "Periodic statement" means a statement  
128 setting forth information about a deposit account,  
129 other than a time account or passbook savings  
130 account, that is provided to a depositor on a  
131 regular basis four or more times a year.

132 (16) "Post" means to post or otherwise  
133 provide notice in a location so that such notice  
134 is easily visible to depositors. With regard to an  
135 office at which a financial institution lacks  
136 access to space for posting notices, such as an  
137 office within a retail establishment, "post" means  
138 to make available to any depositor upon request.

139 (17) "Savings deposit" means a savings  
140 deposit, as defined in [subsection] SUBDIVISION  
141 (54) of section 36a-2, AS AMENDED, and the payment  
142 on shares at a Connecticut credit union or federal  
143 credit union, and a "savings account" is a deposit  
144 account which contains savings deposits.

145 (18) "Time account" means (A) a deposit  
146 account with a maturity of at least seven days in  
147 which the depositor generally does not have a  
148 right to make withdrawals for six days after the  
149 account is opened, unless the deposit is subject  
150 to an early withdrawal penalty of at least seven  
151 days' interest on amounts withdrawn and (B) a  
152 Connecticut credit union member's payment on  
153 shares which such member agrees in writing not to  
154 withdraw within the time period stated therein as  
155 described in subsection (g) of section 36a-446.

156 Sec. 3. Subsection (a) of section 36a-412 of  
157 the general statutes, as amended by section 7 of  
158 public act 97-223, is repealed and the following  
159 is substituted in lieu thereof:

160 (a)(1) Any out-of-state bank, whether or not  
161 owned or controlled by an out-of-state holding  
162 company, may, with the approval of the  
163 commissioner, merge or consolidate with or acquire  
164 a branch or significant part of the assets or ten

165 per cent or more of the stock of a bank provided  
166 such bank has been in existence and continuously  
167 operating for at least five years, unless the  
168 commissioner waives this requirement, where the  
169 institution resulting from any such merger or  
170 consolidation is an out-of-state bank, provided  
171 the laws of the home state of such out-of-state  
172 bank authorize, under conditions no more  
173 restrictive than those imposed by the laws of this  
174 state as determined by the commissioner, a bank to  
175 merge or consolidate with or purchase a branch or  
176 significant part of the assets or ten per cent or  
177 more of the stock of an out-of-state bank whose  
178 home state is such state. Such merger,  
179 consolidation or acquisition shall not take place  
180 if the out-of-state bank, including all insured  
181 depository institutions which are affiliates of  
182 the out-of-state bank, upon consummation of the  
183 merger, consolidation or acquisition, would  
184 control thirty per cent or more of the total  
185 amount of deposits of insured depository  
186 institutions in this state, unless the  
187 commissioner permits a greater percentage of such  
188 deposits. Any such merger, consolidation or  
189 acquisition of assets or stock shall be effected  
190 in accordance with and subject to the filing  
191 requirements and any limitations imposed by the  
192 laws of this state with respect to mergers,  
193 consolidations and acquisitions between banks. Any  
194 such out-of-state bank that engages in business in  
195 this state shall comply with the requirements of  
196 section [33-396] 33-920, AS AMENDED, or subsection  
197 (a) of section 33-1210, AS AMENDED. Before  
198 approving any such merger, consolidation or  
199 acquisition, the commissioner shall make such  
200 considerations, determinations and findings as  
201 required by the laws of this state with respect to  
202 mergers, consolidations and acquisitions between  
203 banks and, in addition, shall consider whether  
204 such merger, consolidation or acquisition can  
205 reasonably be expected to produce benefits to the  
206 public and whether such benefits clearly outweigh  
207 possible adverse effects, including, but not  
208 limited to, an undue concentration of resources  
209 and decreased or unfair competition. The  
210 commissioner shall not approve such merger,  
211 consolidation or acquisition unless the  
212 commissioner considers whether: (A) The investment

213 and lending policies of the out-of-state bank, in  
214 the case of a merger or acquisition of assets, or  
215 the proposed investment and lending policies of  
216 the bank, in the case of an acquisition of stock,  
217 or of the institution that will result from a  
218 consolidation, are consistent with safe and sound  
219 banking practices and will benefit the economy of  
220 this state; (B) the services of the bank or branch  
221 to be acquired, or of the institution that will  
222 result from a merger, or the proposed services of  
223 the institution that will result from a  
224 consolidation, are consistent with safe and sound  
225 banking practices and will benefit the economy of  
226 this state; (C) the merger, consolidation or  
227 acquisition will not substantially lessen  
228 competition in the banking industry of this state;  
229 (D) in the case of a merger or consolidation or  
230 the acquisition of twenty-five per cent or more of  
231 such stock, the out-of-state bank (i) has  
232 sufficient capital to ensure, and agrees to  
233 ensure, that the bank to be acquired or the  
234 institution that will result from the merger or  
235 consolidation will comply with applicable minimum  
236 capital requirements, and (ii) has sufficient  
237 managerial resources to operate the bank to be  
238 acquired or the institution that will result from  
239 the merger or consolidation in a safe and sound  
240 manner; and (E) the out-of-state bank is in  
241 compliance with applicable minimum capital  
242 requirements. The commissioner shall not approve  
243 such merger, consolidation or acquisition unless  
244 the commissioner makes the findings required by  
245 section 36a-34, AS AMENDED. Any out-of-state bank  
246 that merges or consolidates with or acquires a  
247 branch pursuant to this subdivision may establish  
248 additional branches in this state in accordance  
249 with section 36a-145.

250 (2) Any out-of-state bank, other than a  
251 foreign bank, may, with the approval of the  
252 commissioner, and in accordance with the  
253 provisions of this subdivision, establish a de  
254 novo branch in this state, provided the laws of  
255 the home state of such out-of-state bank  
256 authorize, under conditions no more restrictive  
257 than those imposed by the laws of this state, as  
258 determined by the commissioner, a bank to  
259 establish a de novo branch in the home state of  
260 such out-of-state bank. Any such establishment

261 shall be effected in accordance with and subject  
262 to the filing requirements and any limitations  
263 imposed by section 36a-145. Any such out-of-state  
264 bank that engages in business in this state shall  
265 comply with the requirements of section [33-396]  
266 33-920, AS AMENDED, or subsection (a) of section  
267 33-1210, AS AMENDED. Before approving any such  
268 establishment, the commissioner shall make such  
269 considerations, determinations and findings as  
270 required by section 36a-145 and, in addition,  
271 shall consider whether such establishment can  
272 reasonably be expected to produce benefits to the  
273 public and whether such benefits clearly outweigh  
274 possible adverse effects, including, but not  
275 limited to, an undue concentration of resources  
276 and decreased or unfair competition. The  
277 commissioner shall not approve such establishment  
278 unless the commissioner considers whether: (A) The  
279 investment and lending policies of the  
280 out-of-state bank are consistent with safe and  
281 sound banking practices and will benefit the  
282 economy of this state; (B) the proposed services  
283 of the branch are consistent with safe and sound  
284 banking practices and will benefit the economy of  
285 this state; (C) the establishment will not  
286 substantially lessen competition in this state;  
287 (D) the out-of-state bank is adequately managed  
288 and will continue to be adequately managed upon  
289 establishment of such branch; and (E) the  
290 out-of-state bank is in compliance with applicable  
291 minimum capital requirements. The commissioner  
292 shall not approve such establishment unless the  
293 commissioner makes the findings required by  
294 section 36a-34, AS AMENDED. An out-of-state bank  
295 which has established a de novo branch in this  
296 state in accordance with this subdivision may  
297 establish additional branches in this state in  
298 accordance with section 36a-145.

299 (3) (A) As used in this subdivision,  
300 "applicant" means, in the case of an acquisition  
301 of a branch, the acquiring out-of-state bank, and  
302 in the case of a merger or consolidation, each  
303 out-of-state bank that is a party to the merger or  
304 consolidation.

305 (B) Any out-of-state bank, regardless of  
306 whether it has a branch in this state, may merge  
307 or consolidate with or acquire a branch in this  
308 state of an out-of-state bank that has a branch in

309 this state. On or before June 1, 1997, no such  
310 merger, consolidation or acquisition shall take  
311 place without the approval of the commissioner.  
312 The commissioner shall not approve such merger,  
313 consolidation or acquisition unless the  
314 commissioner considers whether: (i) Such merger,  
315 consolidation or acquisition can reasonably be  
316 expected to produce benefits to the public and  
317 whether such benefits clearly outweigh possible  
318 adverse effects including, but not limited to, an  
319 undue concentration of resources, decreased or  
320 unfair competition, branch closings and loss of  
321 jobs in this state; (ii) the proposed investment  
322 and lending policies and services of the  
323 applicant, in the case of an acquisition of a  
324 branch, or the resulting out-of-state bank, in the  
325 case of a merger or consolidation, will benefit  
326 the economy of this state; and (iii) the applicant  
327 has a record of compliance with the requirements  
328 of the Community Reinvestment Act of 1977, 12 USC  
329 2901, et seq., as from time to time amended,  
330 sections 36a-30 to 36a-33, inclusive, to the  
331 extent applicable, and applicable consumer  
332 protection laws. The commissioner shall not  
333 approve such merger, consolidation or acquisition  
334 unless the commissioner finds that the applicant,  
335 in the case of an acquisition of a branch, or the  
336 resulting out-of-state bank, in the case of a  
337 merger or consolidation, will provide adequate  
338 services to meet the banking needs of all  
339 community residents, including low-income  
340 residents and moderate-income residents, to the  
341 extent permitted by its charter, in accordance  
342 with a plan submitted by the applicant to the  
343 commissioner in such form and containing such  
344 information as the commissioner requires. Upon  
345 receiving the plan, the commissioner shall make  
346 the plan available for public inspection and  
347 comment at the Department of Banking and shall  
348 cause notice of its submission and availability  
349 for inspection and comment to be published in the  
350 department's weekly bulletin. With the concurrence  
351 of the commissioner, the applicant shall publish,  
352 in the form of a legal advertisement in a  
353 newspaper having a substantial circulation in the  
354 area, notice of such plan's submission and  
355 availability for public inspection and comment.  
356 The notice shall state that the inspection and



357 comment period will last for a period of thirty  
358 business days from the date of publication. The  
359 commissioner shall not make such finding until the  
360 expiration of such thirty-day period. In making  
361 such finding, the commissioner shall, unless  
362 clearly inapplicable, consider, among other  
363 factors, whether the plan identifies specific  
364 unmet credit and consumer banking needs in the  
365 local community and specifies how such needs will  
366 be satisfied, provides for sufficient distribution  
367 of banking services among branches or satellite  
368 devices, or both, located in low-income  
369 neighborhoods, contains adequate assurances that  
370 banking services will be offered on a  
371 nondiscriminatory basis and demonstrates a  
372 commitment to extend credit for housing, small  
373 business and consumer purposes in low-income  
374 neighborhoods. Any such merger, consolidation or  
375 acquisition which received all required federal  
376 bank regulatory approvals on or before February 7,  
377 1996, shall not be subject to the approval and  
378 filing requirements of this subdivision.

379 (4) (A) Except as provided in this section,  
380 any branch in this state of an out-of-state bank,  
381 other than a federally-chartered out-of-state  
382 bank, may exercise all the powers possessed by a  
383 Connecticut bank and the laws of this state shall  
384 apply to such branch to the same extent as such  
385 laws apply to a branch of a Connecticut bank, and  
386 such out-of-state bank may not conduct any  
387 activity at such branch that is not permissible  
388 for a Connecticut bank. The following laws shall  
389 not apply to such branch: Sections 36a-65, AS  
390 AMENDED, 36a-98, 36a-261, 36a-262, 36a-285, AS  
391 AMENDED, unless, at the time of the acquisition,  
392 the acquired bank exercised the authority granted  
393 by such section, 36a-738 and 36a-739. If the  
394 commissioner determines that a branch in this  
395 state of such out-of-state bank is being operated  
396 in violation of any applicable law of this state  
397 or in an unsafe and unsound manner, the  
398 commissioner may take any enforcement action  
399 authorized under this title against such  
400 out-of-state bank to the same extent as if such  
401 branch were a Connecticut bank, provided, the  
402 commissioner shall promptly give notice of such  
403 action to the home state banking regulator of such  
404 out-of-state bank and, to the extent practicable,

405 shall consult and cooperate with such regulator in  
406 pursuing and resolving such action.

407 (B) The laws of this state shall apply to any  
408 branch in this state of a federally-chartered  
409 out-of-state bank to the same extent as such laws  
410 would apply if the branch were a federal bank. The  
411 following laws shall apply to any branch in this  
412 state of a federally-chartered out-of-state bank  
413 to the same extent as such laws apply to a branch  
414 of a Connecticut bank: (i) Community reinvestment  
415 laws including sections 36a-30 to 36a-33,  
416 inclusive, (ii) consumer protection laws including  
417 sections 36a-290 to 36a-304, inclusive, AS  
418 AMENDED, 36a-306, 36a-307, 36a-315 to 36a-323,  
419 inclusive, 36a-645 to 36a-647, inclusive, AS  
420 AMENDED, 36a-690, 36a-695 to 36a-700, inclusive,  
421 AS AMENDED, 36a-705 to 36a-707, inclusive, 36a-715  
422 to 36a-718, inclusive, 36a-725, 36a-726, 36a-755  
423 to 36a-759, inclusive, 36a-770 to 36a-788,  
424 inclusive, and 36a-800 to 36a-810, inclusive,  
425 (iii) fair lending laws including sections 36a-16,  
426 36a-737, 36a-740 and 36a-741, and (iv) branching  
427 laws including sections 36a-23 and 36a-145.

428 (5) Any out-of-state bank that merges or  
429 consolidates with or acquires the assets of a bank  
430 or establishes in this state a de novo branch  
431 shall be subject to the supervision and  
432 examination of the commissioner pursuant to  
433 regulations adopted by the commissioner in  
434 accordance with chapter 54 and shall make reports  
435 to the commissioner as required by the laws of  
436 this state. The commissioner may examine and  
437 supervise the Connecticut branches of any such  
438 out-of-state bank and may enter into agreements  
439 with other state or federal banking regulators or  
440 similar regulators in a foreign country concerning  
441 such examinations or supervision. The provisions  
442 of this section apply to the acquisition of the  
443 assets of any bank from the receiver of such bank  
444 by any out-of-state bank.

445 Sec. 4. Subsection (a) of section 36a-425 of  
446 the general statutes is repealed and the following  
447 is substituted in lieu thereof:

448 (a) Except as otherwise provided in this  
449 title, no foreign banking corporation shall  
450 transact in this state the business authorized by  
451 its certificate of incorporation or by the laws of  
452 the state under which it was organized, unless

453 empowered to do so by any provision of the general  
454 statutes or any special act of this state;  
455 provided, without excluding other activities which  
456 may not constitute transacting business in this  
457 state, no such foreign banking corporation shall  
458 be deemed to be doing or transacting business in  
459 this state for purposes of this section by reason  
460 of its acting as an investment adviser to the  
461 State Treasurer or by reason of its making loans  
462 whether secured or unsecured. For purposes of this  
463 section, "foreign banking corporation" means a  
464 banking corporation which is organized under the  
465 laws of or has its principal office in any state  
466 other than Connecticut or any foreign country.  
467 Notwithstanding the provisions of this subsection,  
468 a foreign banking corporation which transacts  
469 business in this state for the purposes of section  
470 33-920, AS AMENDED, or [subsection (a) of] section  
471 33-1210, AS AMENDED, shall comply with the  
472 requirements of [such sections] SUBSECTION (a) OF  
473 SECTION 33-920 OR SUBSECTION (a) OF SECTION  
474 33-1210.

475 Sec. 5. Section 36a-695 of the general  
476 statutes is repealed and the following is  
477 substituted in lieu thereof:

478 As used in sections 36a-695 to [36a-699]  
479 36a-699e, inclusive, AS AMENDED, unless the  
480 context otherwise requires:

481 (1) "Consumer" means an individual seeking  
482 credit for personal, family or household purposes;

483 (2) "Creditor" means any person who extends  
484 credit in the ordinary course of business;

485 (3) "Credit report" means any written or oral  
486 report, recommendation or representation of a  
487 credit rating agency as to the credit worthiness,  
488 credit standing, or credit capacity of any  
489 consumer, and includes any information which is  
490 sought or given for the purpose of serving as the  
491 basis for determining eligibility for credit to be  
492 used primarily for personal, family or household  
493 purposes;

494 (4) "Credit rating agency" means any person  
495 whose business is the assembling and evaluating of  
496 information as to the credit standing and credit  
497 worthiness of a consumer, for the purposes of  
498 furnishing credit reports, for monetary fees and  
499 dues to third parties.

500 Sec. 6. Section 36b-3 of the general  
501 statutes, as amended by section 1 of public act  
502 97-220, is repealed and the following is  
503 substituted in lieu thereof:

504 As used in sections 36b-2 to 36b-33,  
505 inclusive, AS AMENDED, unless the context  
506 otherwise requires:

507 (1) "Agent" means any individual, other than  
508 a broker-dealer, who represents a broker-dealer or  
509 issuer in effecting or attempting to effect  
510 purchases or sales of securities. "Agent" does not  
511 include an individual who represents an issuer in  
512 (A) effecting transactions in a security exempted  
513 by subdivision (1), (2), (3), (4), (6), (9), (10),  
514 (11) or (21) of subsection (a) of section 36b-21,  
515 AS AMENDED, (B) effecting transactions exempted by  
516 subsection (b) of section 36b-21, AS AMENDED,  
517 except for transactions exempted by subdivisions  
518 (9), (12) or (13) of said subsection, (C)  
519 effecting transactions with existing employees,  
520 partners or directors of the issuer if no  
521 commission or other remuneration is paid or given  
522 directly or indirectly for soliciting any person  
523 in this state, or (D) effecting transactions in  
524 any covered security, except for covered  
525 securities within the meaning of Sections 18(b)(2)  
526 or 18(b)(4)(D) of the Securities Act of 1933.  
527 "Agent" does not include such other persons not  
528 within the intent of this [subsection] SUBDIVISION  
529 as the commissioner may by regulation or order  
530 determine. A general partner, officer or director  
531 of a broker-dealer or issuer, or a person  
532 occupying a similar status or performing similar  
533 functions, is an agent only if he otherwise comes  
534 within this definition and any compensation that  
535 he receives is directly or indirectly related to  
536 purchases or sales of securities.

537 (2) "Associated person" has the meaning given  
538 to that term in Section 3(a)(21) of the Securities  
539 Exchange Act of 1934.

540 (3) "Blank check company" means any company  
541 that (A) devotes substantially all of its efforts  
542 to establishing a new business in which planned  
543 principal operations have not commenced or, that  
544 has commenced planned principal operations, but  
545 has not derived significant revenue therefrom; and  
546 (B) has no specific business plan or purpose or  
547 has indicated that its business plan is to engage

548 in a merger or acquisition with an unidentified  
549 company or companies, or other entity or person.

550 (4) "Branch office" means any location other  
551 than the main office, identified by any means to  
552 the public, customers or clients as a location at  
553 which a broker-dealer or investment adviser  
554 conducts a securities or investment advisory  
555 business. "Branch office" does not include (A) a  
556 location identified solely in a telephone  
557 directory line listing or on a business card or  
558 letterhead if (i) the listing, card, or letterhead  
559 also sets forth the address and telephone number  
560 of a Connecticut office of the broker-dealer or  
561 investment adviser from which individuals  
562 conducting business from such identified location  
563 are directly supervised, and (ii) no more than one  
564 agent or investment adviser agent transacts  
565 business on behalf of the broker-dealer or  
566 investment adviser from such identified location,  
567 or (B) any other location not within the intent of  
568 this [subsection] SUBDIVISION as the commissioner  
569 may determine.

570 (5) "Broker-dealer" means any person engaged  
571 in the business of effecting transactions in  
572 securities for the account of others or for his  
573 own account. "Broker-dealer" does not include (A)  
574 an agent, (B) an issuer, (C) a bank and trust  
575 company, a national banking association, a savings  
576 bank, a savings and loan association, a federal  
577 savings and loan association, a credit union, a  
578 federal credit union, or a trust company, (D) a  
579 person who has no place of business in this state  
580 if he effects transactions in this state  
581 exclusively with or through (i) the issuers of the  
582 securities involved in the transactions, (ii)  
583 other broker-dealers, or (iii) a bank and trust  
584 company, a national banking association, a savings  
585 bank, a savings and loan association, a federal  
586 savings and loan association, a credit union, a  
587 federal credit union, a trust company, an  
588 insurance company, an investment company as  
589 defined in the Investment Company Act of 1940, a  
590 pension or profit-sharing trust, or other  
591 financial institution or institutional buyer,  
592 whether acting for itself or as trustee, or (E)  
593 such other persons not within the intent of this  
594 [subsection] SUBDIVISION as the commissioner may  
595 by regulation or order determine.

596 (6) "Commissioner" means the Commissioner of  
597 Banking or any person appointed or designated by  
598 the Commissioner of Banking to administer sections  
599 36b-2 to 36b-33, inclusive, AS AMENDED.

600 (7) "Covered security" has the meaning given  
601 to that term in Section 18(b) of the Securities  
602 Act of 1933.

603 (8) "Fraud", "deceit" and "defraud" are not  
604 limited to common-law deceit.

605 (9) "Guaranteed" means guaranteed as to  
606 payment of principal, interest or dividends.

607 (10) "Investment adviser" means any person  
608 who, for compensation, engages in the business of  
609 advising others, either directly or through  
610 publications or writings, as to the value of  
611 securities or as to the advisability of investing  
612 in, purchasing or selling securities, or who, for  
613 compensation and as a part of a regular business,  
614 issues or promulgates analyses or reports  
615 concerning securities. "Investment adviser" does  
616 not include (A) a bank and trust company, a  
617 national banking association, a savings bank, a  
618 savings and loan association, a federal savings  
619 and loan association, a credit union, a federal  
620 credit union or a trust company; (B) a lawyer,  
621 accountant, engineer, or teacher whose performance  
622 of these services is solely incidental to the  
623 practice of his profession; (C) a broker-dealer  
624 whose performance of these services is solely  
625 incidental to the conduct of his business as a  
626 broker-dealer and who receives no special  
627 compensation for them; (D) a publisher of any bona  
628 fide newspaper, news magazine, or business or  
629 financial publication of general, regular, and  
630 paid circulation; (E) a person whose advice,  
631 analyses or reports relate only to securities  
632 exempted by subdivision (1) of subsection (a) of  
633 section 36b-21, AS AMENDED; (F) any insurance  
634 company under the supervision of the Insurance  
635 Commissioner or any affiliate thereof, as defined  
636 in subsection (b) of section 38a-129, when  
637 providing services to separate accounts of that  
638 insurance company or registered investment  
639 companies all of whose shares are owned by such  
640 insurance company or its insurance company  
641 affiliates or by the separate accounts of that  
642 insurance company or its insurance company  
643 affiliates; and (G) such other persons not within

644 the intent of this [subsection] SUBDIVISION as the  
645 commissioner may by regulation or order designate.

646 (11) "Investment adviser agent" includes any  
647 individual, other than an investment adviser, or a  
648 sole proprietor of an investment adviser,  
649 employed, appointed or authorized by an investment  
650 adviser to solicit business from any person for  
651 such investment adviser, within or from this  
652 state, and who receives compensation or other  
653 remuneration, directly or indirectly, for such  
654 solicitation. An officer, partner or director of  
655 an investment adviser, or an individual occupying  
656 a similar status or performing similar functions,  
657 is an investment adviser agent only if he  
658 otherwise comes within this definition.

659 (12) "Issuer" means any person who issues or  
660 proposes to issue any security; except that (A)  
661 with respect to certificates of deposit,  
662 voting-trust certificates, or collateral-trust  
663 certificates, or with respect to certificates of  
664 interest or shares in an unincorporated investment  
665 trust not having a board of directors or persons  
666 performing similar functions or of the fixed,  
667 restricted management, or unit type, "issuer"  
668 means the person or persons performing the acts  
669 and assuming the duties of depositor or manager  
670 pursuant to the provisions of the trust or other  
671 agreement or instrument under which the security  
672 is issued; and (B) with respect to certificates of  
673 interest or participation in oil, gas or mining  
674 titles or leases, or in payments out of production  
675 under such titles or leases, "issuer" means the  
676 owner of any such title, lease, right or interest,  
677 whether whole or fractional, who creates or sells  
678 fractional interests therein.

679 (13) "Nonissuer" means not directly or  
680 indirectly for the benefit of the issuer.

681 (14) "Person" means an individual, a  
682 corporation, a limited liability company, a  
683 partnership, an association, a joint-stock  
684 company, a trust where the interests of the  
685 beneficiaries are evidenced by a security, an  
686 unincorporated organization, a government or a  
687 political subdivision of a government.

688 (15) (A) "Sale" or "sell" includes every  
689 contract of sale of, contract to sell, or  
690 disposition of, a security or interest in a  
691 security for value. (B) "Offer" or "offer to sell"

692 includes every attempt or offer to dispose of, or  
693 solicitation of an offer to buy, a security or  
694 interest in a security for value. (C) Any security  
695 given or delivered with, or as a bonus on account  
696 of, any purchase of securities or any other thing  
697 shall be conclusively presumed to constitute a  
698 part of the subject of such purchase and to have  
699 been sold for value. (D) Nothing in this  
700 [subsection] SUBDIVISION shall limit or diminish  
701 the full meaning of the terms "sale", "sell",  
702 "offer" or "offer to sell" as construed by the  
703 courts of this state. (E) A purported gift of  
704 assessable stock is considered to involve an offer  
705 and sale. (F) Every sale or offer of a warrant or  
706 right to purchase or subscribe to another security  
707 of the same or another issuer, as well as every  
708 sale or offer of a security which gives the holder  
709 a present or future right or privilege to convert  
710 into another security of the same or another  
711 issuer, is considered to include an offer of the  
712 other security. (G) The terms defined in this  
713 [subsection] SUBDIVISION do not include: (i) Any  
714 bona fide pledge or loan; (ii) any stock dividend,  
715 whether the corporation distributing the dividend  
716 is the issuer of the stock or not, if nothing of  
717 value is given by stockholders for the dividend  
718 other than the surrender of a right to a cash or  
719 property dividend when each stockholder may elect  
720 to take the dividend in cash or property or in  
721 stock; (iii) any act incident to a class vote by  
722 security holders on a merger, exchange of  
723 securities for securities, consolidation,  
724 reclassification of securities, or sale of assets  
725 in consideration of the issuance of securities or  
726 securities and cash of another person other than  
727 an individual; or (iv) any security which is  
728 issued in exchange for one or more bona fide  
729 outstanding securities, claims or property  
730 interests, or partly in such exchange and partly  
731 for cash, where the terms and conditions of such  
732 issuance and exchange are approved by any state or  
733 federal court.

734 (16) "Securities Act of 1933", "Securities  
735 Exchange Act of 1934", "Public Utility Holding  
736 Company Act of 1935", "Investment Advisers Act of  
737 1940" and "Investment Company Act of 1940" mean  
738 the federal statutes of those names, as from time  
739 to time amended.



740 (17) "Security" means any note, stock,  
741 treasury stock, bond, debenture, evidence of  
742 indebtedness, certificate of interest or  
743 participation in any profit-sharing agreement,  
744 interests of limited partners in a limited  
745 partnership, collateral-trust certificate,  
746 preorganization certificate or subscription,  
747 transferable share, investment contract,  
748 voting-trust certificate, certificate of deposit  
749 for a security, certificate of interest or  
750 participation in an oil, gas or mining title or  
751 lease or in payments out of production under such  
752 a title or lease, or, in general, any interest or  
753 instrument commonly known as a "security", or any  
754 certificate of interest or participation in,  
755 temporary or interim certificate for, receipt for,  
756 guarantee of, or warrant or right to subscribe to  
757 or purchase, any of the foregoing. "Security" does  
758 not include any insurance or endowment policy or  
759 annuity contract issued by an insurance company  
760 which is subject to regulation by the Insurance  
761 Commissioner.

762 (18) "Shell company" or "dormant company"  
763 means any company which does not pursue nor has  
764 the financial capacity to pursue a business plan  
765 or purpose.

766 (19) "State" means any state, territory or  
767 possession of the United States, the District of  
768 Columbia and Puerto Rico.

769 Sec. 7. Section 42-100b of the general  
770 statutes is repealed and the following is  
771 substituted in lieu thereof:

772 As used in section 42-100c, "retail credit  
773 transaction" includes any agreement or transaction  
774 for the retail sale of goods or services which are  
775 used or bought primarily for personal, family or  
776 household purposes, but [it] does not include  
777 transactions covered by chapter 4 of the Consumer  
778 Credit Protection Act, [as defined in section  
779 36a-676] 15 USC 1666 ET SEQ., AS FROM TIME TO TIME  
780 AMENDED.

781 BA COMMITTEE VOTE: YEA 18 NAY 0 JFS

\* \* \* \* \*

"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

\* \* \* \* \*

**FISCAL IMPACT STATEMENT - BILL NUMBER SHB 5276**

STATE IMPACT                      None, see explanation below

MUNICIPAL IMPACT                None

STATE AGENCY(S)                Department of Banking

**EXPLANATION OF ESTIMATES:**

There is no fiscal impact for the Department of Banking as a result of the passage of this bill. The bill makes technical revisions to the banking and securities laws of the State of Connecticut. It has no impact on the workload of the Department of Banking.

\* \* \* \* \*

**OLR BILL ANALYSIS**

SHB 5276

**AN ACT CONCERNING TECHNICAL REVISIONS TO THE BANKING LAW OF CONNECTICUT AND THE SECURITIES AND BUSINESS INVESTMENTS LAW OF CONNECTICUT**

**SUMMARY:** This bill makes several technical corrections and updates statutory references in the banking, securities, and business opportunity investments laws.

**EFFECTIVE DATE:** October 1, 1998

**COMMITTEE ACTION**

Banks Committee

Joint Favorable Substitute

Yea 18      Nay 0